# FINANCIAL ADMINISTRATION POLICY DIGEST

**Province of British Columbia**
Treasury Board

**Canadian Cataloguing in Publication Data**
Main entry under title:
Financial administration policy digest

ISBN 0-7718-8285-8

1. Finance, Public - British Columbia. 2. British Columbia. Financial Administration Act. I. British Columbia. Treasury Board.

HJ13.B77a 354.7110072 C82-092005-3

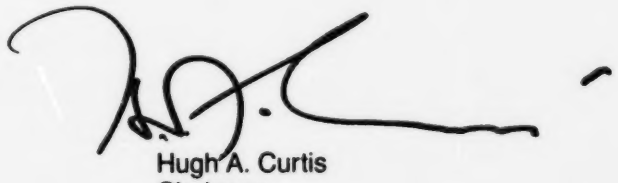
# INTRODUCTION

The government and its central agencies have long recognized the need for basic government-wide standards in the area of financial administration policy. The framework for establishing this policy is contained in the *Financial Administration Act.*

To implement this framework effectively throughout government, and to establish the principles of financial management, control and accountability for the resources of government, the Treasury Board has approved a set of comprehensive financial policies which are contained in the *Treasury Board Financial Administration Policy Manual.* These policies provide direction and guidance to ministries to ensure that the objectives and provisions of the *Financial Administration Act* are achieved.

This *Financial Administration Policy Digest* has been prepared to provide managers throughout government with an overview of these policies, and as a guide to the manual. The digest is structured in a manner similar to the manual and summarizes the major policies which are described in greater detail in the manual.

I encourage the reader to become fully familiar with the contents of this digest, and where required, with the content of the *Treasury Board Financial Administration Policy Manual.*



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Chairman,
Treasury Board

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# CHAPTER 1

# OBJECTIVES AND PRINCIPLES OF FINANCIAL ADMINISTRATION

## PURPOSE

Provides the introduction to the manual, detailing the objectives and principles of financial administration in government.

## MAIN ELEMENTS

1. **Principles underlying control of public funds by the Legislative Asembly:** 1.1

   (a) specifying through separate votes the amounts which may be expended and the purposes for which the funds may be disbursed;

   (b) granting spending authority on an annual basis, thus ensuring that the *Legislative Assembly* is able to limit the amounts that can be spent, and also to provide for the lapsing of authorities not used at the end of the fiscal year; and,

   (c) the principle of a consolidated revenue fund to ensure that all receipts of public money go into a single fund and that legislative authority is obtained for expenditures from it.

2. **Objectives of Financial Administration:** 1.2

   (a) ***probity*** in the handling of government funds, ensuring that financial matters are handled in a proper and honest manner;

   (b) ***prudence*** in the expending of government funds, being careful to avoid excessive and/or irresponsible expenditures;

   (c) ***legality*** in disbursements, ensuring that statutory and regulatory provisions are honoured and that no more has been spent than has been approved by the Legislature;

   (d) ***economy*** in the expending of funds;

   (e) ***efficiency*** in the management of programs; and,

   (f) ***effectiveness*** in the delivery of programs.

3. **Purpose of the Manual** 1.3

   As a result of the *Financial Administration Act,* responsibility is assigned to each minister for the financial administration of his ministry, under the general direction of Treasury Board and the Minister of Finance. The policies contained in the manual provide direction and guidance for ministries to conform to these statutory requirements.

# CHAPTER 2

# POLICY AND RESPONSIBILITY FOR FINANCIAL ADMINISTRATION

## PURPOSE

Distinguishes the various responsibilities for financial administration between legislative responsibility, central agency responsibility and the responsibility of the ministries. It also reviews the basis for establishing and maintaining financial administration policy and regulations issued under the *Financial Administration Act.*

## GENERAL

**2.1**

The *Legislative Assembly,* as the elected representative of the people, is responsible for ensuring that the public purse is properly controlled; the government is responsible for controlling and managing the financial and physical resources of the province.

Accountability is reinforced by the appointment of a legislative auditor, the *Auditor General,* and by the establishment of the *Select Committee on Public Accounts and Economic Affairs,* both of which report to the *Legislative Assembly.* The chart on page 4 illustrates the organization of the government of British Columbia and includes the relationship to the *Legislative Assembly* of the *Auditor General* and the *Select Committee on Public Accounts and Economic Affairs.*

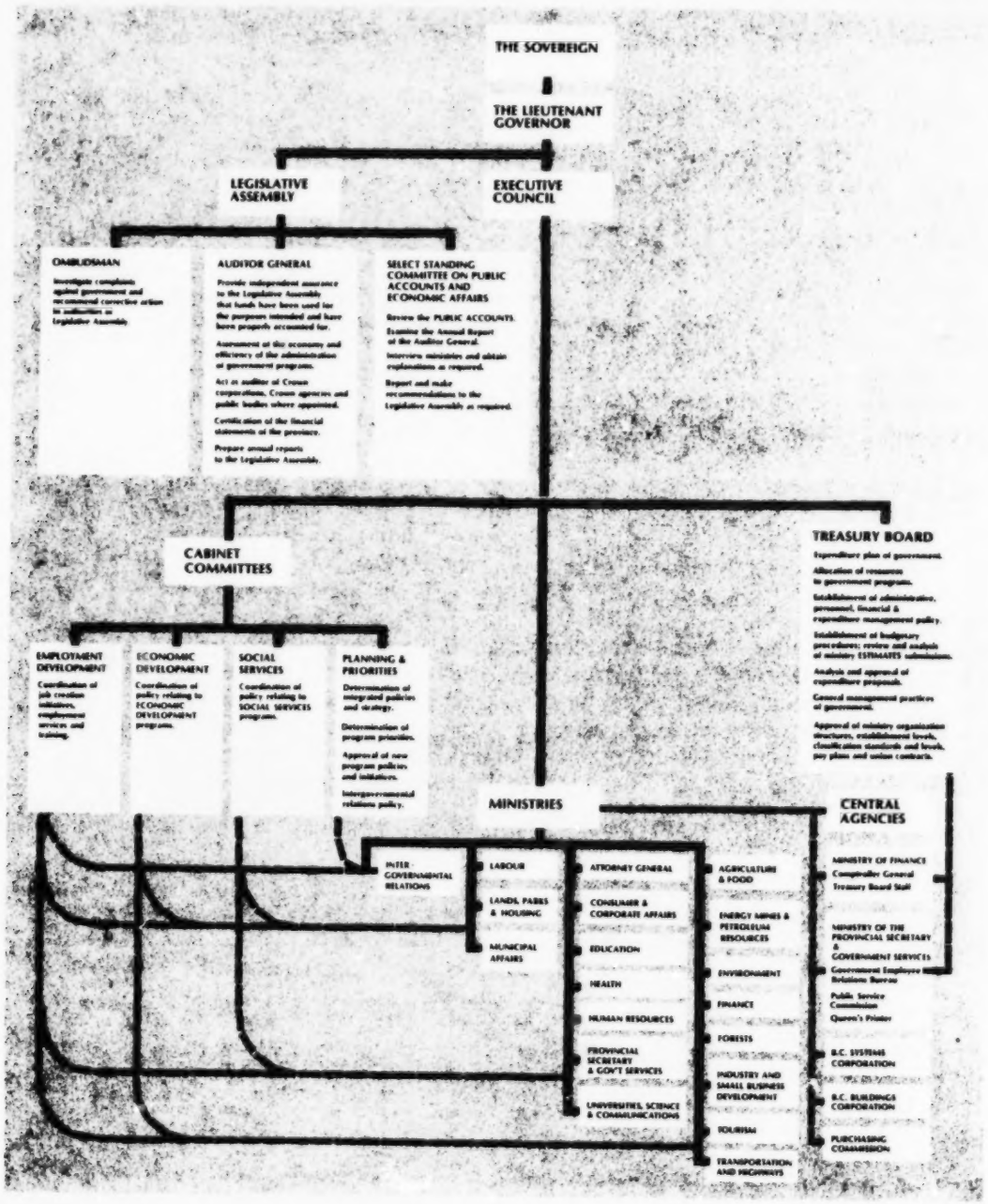
The *Financial Administration Act* provides the necessary authority, and places responsibility upon, Treasury Board and the Minister of Finance (the province's fiscal agent) to give central direction to the government's financial administration policies and to deal with problems which may arise with respect to financial administration in the government. In this way, Treasury Board and the Minister of Finance, through their own directives and through the responsibilities they delegate to the central agencies, Treasury Board Staff and the Office of the Comptroller General, direct and control all of the financial administrative functions of the government. Nevertheless, most of the actual administration of these central financial policies is the responsibility of the individual ministries, subject to the direction noted above. The diagram on page 5 illustrates this delegation of responsibility from the *Legislative Assembly* to the lowest responsibility centre.

## CHAPTER 2—Continued

## POLICY AND RESPONSIBILITY FOR FINANCIAL ADMINISTRATION—Continued

## APPENDIX B

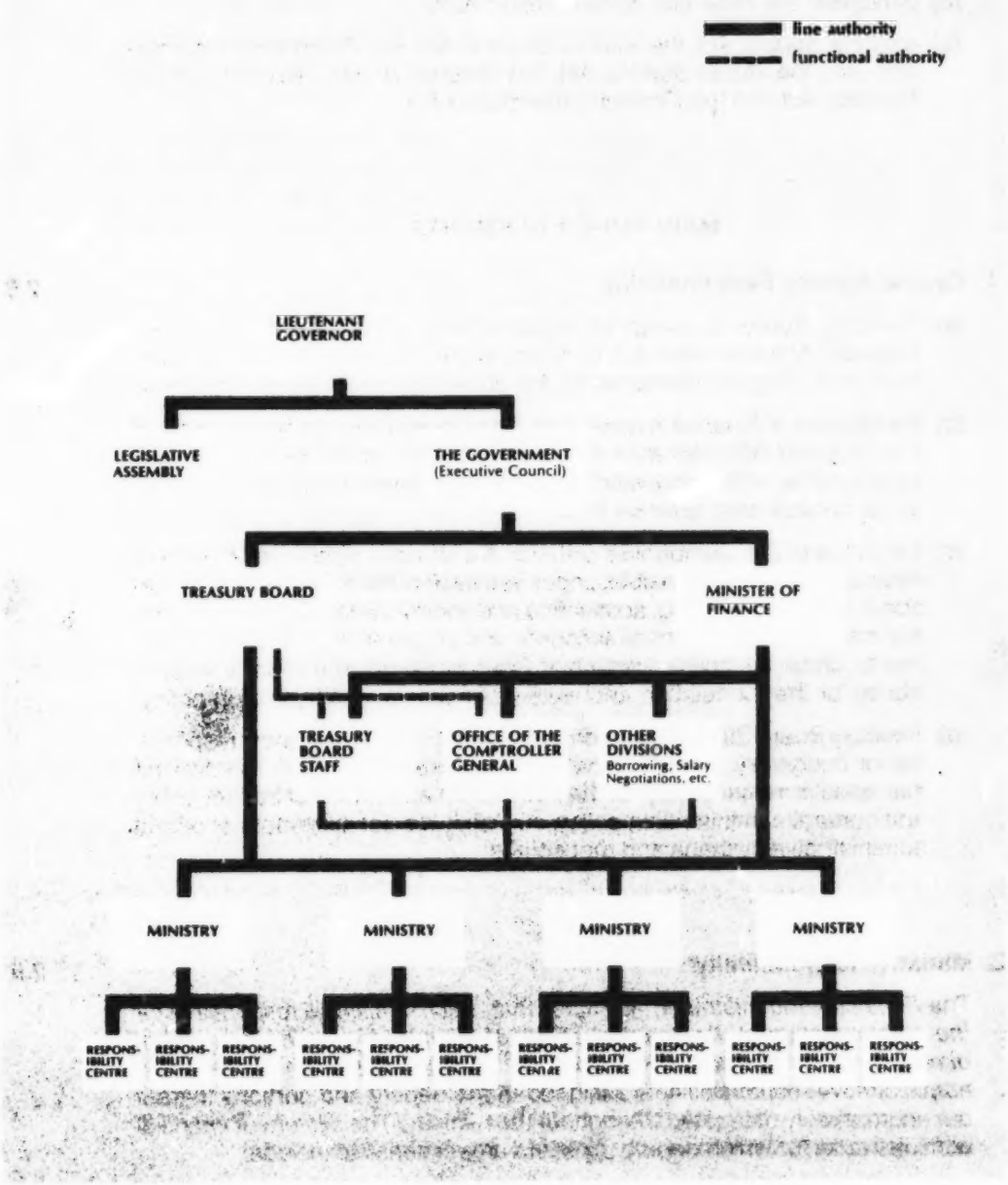
## ORGANIZATION OF THE GOVERNMENT OF THE PROVINCE OF BRITISH COLUMBIA



## CHAPTER 2—Continued

## POLICY AND RESPONSIBILITY FOR FINANCIAL ADMINISTRATION—Continued

### DELEGATION OF RESPONSIBILITY FOR FINANCIAL ADMINISTRATION



## CHAPTER 2—Continued

## POLICY AND RESPONSIBILITY FOR FINANCIAL ADMINISTRATION—Continued

### LEGISLATIVE AUTHORITY 2.4

The major statutes which form the framework for and place a limitation on the policies to be followed are:

(a) principally the *Financial Administration Act;*

(b) also the *Supply Act,* the *Auditor General Act,* the *Purchasing Commission Act,* the *Public Service Act,* the *Pension (Public Service) Act,* the *Bonding Act* and the *Financial Information Act.*

### MAIN POLICY ELEMENTS

1. **Central Agency Responsibility** 2.6

(a) Treasury Board is assigned responsibility, under Section 4 of the *Financial Administration Act,* for financial policies, systems and management including the allocation of the government's financial resources;

(b) the Minister of Finance is given specific responsibility, under Section 6 of the *Financial Administration Act,* for fiscal policy, revenues and expenditure, together with responsibility for the management and administration of the consolidated revenue fund;

(c) the Office of the Comptroller General is a division within the Ministry of Finance which is responsible, under Section 8 of the *Financial Administation Act,* for the reporting, accounting and control systems of government, the maintenance of central accounts and preparation of financial statements, under the policy direction of Treasury Board, and specific responsibility for the formulation and review of financial administration policy;

(d) Treasury Board Staff is a division within the Ministry of Finance, responsible for budgetary, administrative and organization matters. The division has specific responsibility for the formulation and review of budget policy and general administration policy, including the establishment of official administrative systems and procedures.

2. **Ministry Responsibility** 2.5

The *Financial Administration Act* states that *"each Minister is responsible for the administration of the financial affairs of his ministry, under the general direction of the Minister of Finance and Treasury Board".* In practice this administrative responsibility is assigned to the deputy and portions thereof are appropriately delegated throughout the ministry. The system of financial administration for which deputy ministers are responsible include:

(a) delegation of financial authorities in a manner that ensures an appropriate division of responsibilities in the disbursement and collection of money;

(b) classification of accounts that identify the purpose of, responsibility for and nature of resources involved in each financial transaction;

(c) budgets that, in addition to forecasting cash requirements for inclusion in the *Estimates*, acknowledge managerial responsibility for costs in relation to planned output;

(d) reporting and budgetary control systems that compare actual and planned costs in relation to output and actual and planned expenditures and commitments in relation to each appropriation in accordance with established accounting policy; and,

(e) financial systems that ensure the validity, completeness and accuracy of accounting data, the payment only of authorized expenditures, the collection of all public money and that safeguard the government's assets.

3. **Establishment and Maintenance of Financial Administration Regulations** 2.7

(a) all proposals for regulations are to be approved by the Comptroller General, the Minister of Finance, Treasury Board, and where applicable, the Lieutenant Governor in Council; and,

(b) an advisory group has been established to review, analyze and evaluate all proposals for regulations under the *Act*, with the Deputy Comptroller General as chairman.

4. **Establishment and Maintenance of Financial Administration Policy** 2.8

(a) responsibility is assigned to the Comptroller General for the review of financial administration policy and for recommending to Treasury Board new policies for approval; the Comptroller General is also responsible for communicating approved policy to ministries;

(b) the impetus for policy is derived from ongoing financial policy evaluation, and also from audit recommendations, improvements in financial controls, changes in accounting practices and the introduction of new programs; and,

(c) an advisory group has been established to review, analyze and evaluate all proposals for changes or additions to financial administration policy, with the Deputy Comptroller General as chairman.

# CHAPTER 3

# MANAGEMENT OF THE FINANCIAL FUNCTION

## PURPOSE

Establishes standards for the management of the financial function to ensure that:

(a) the activities associated with the financial function at all levels are clearly identified;

(b) responsibility and accountability for the supervision and management of government systems of financial administration are assigned; and,

(c) qualified specialists are in place to establish, maintain, communicate and monitor financial policies, systems and procedures.

## MAIN POLICY ELEMENTS

3.4

1. Ministries shall ensure that their system of financial administration clearly identifies all activities that are considered essential to its effective management and control. As a minimum, these activities shall include the following:

   (a) the management, administration, control documentation and communication of ministry systems of financial information;

   (b) the consistent identification and reporting of all financial information;

   (c) the preparation and review of annual *Estimates* and the review and analysis of the financial aspects of Cabinet and Treasury Board submissions;

   (d) ensuring that financial limits imposed by appropriations and allotments are not exceeded, reviewing resources utilized and accomplishments achieved in relation to budgets, analyzing budgetary variances and forecasting cash requirements;

   (e) the design, development, implementation, documentation and operation of effective systems of accounting and internal control;

   (f) defining the authority to initiate expenditures, authorize commitments, certify contract performance, requisition payments and control commitments and ensuring other disbursements are properly authorized;

   (g) the proper custody, management, safekeeping and control of assets;

   (h) the proper receipt, deposit, recording and control of public money, the claiming of revenue and the management and control of all monies due;

   (i) ensuring that financial reports are timely, accurate and consistent and that they meet statutory, central agency and operating requirements; and,

   (j) the development and implementation of effective ministry internal audit programs.

CHAPTER 3—Continued

MANAGEMENT OF THE FINANCIAL FUNCTION—Continued

Treasury Board Financial Administration Policy Manual Reference

**2. Role of the Deputy Minister** 3.5

Deputy ministers are fully accountable for the overall performance and effectiveness of the ministry's system of financial administration.

**3. Delegation of Authority** 3.6

(a) each deputy minister shall formally delegate authority for the ministry's system of financial administration to an executive financial officer who shall be held accountable for the ministry's overall performance and effectiveness in meeting the requirements of the *Financial Administration Act*, the Treasury Board and his ministry;

(b) where a ministry executive financial officer is also responsible for a number of other specialized functions such as personnel, data processing and administrative services, it is necessary to designate a senior financial officer to be directly responsible for the ministry's system of financial administration; and, 3.7

(c) the basic role of responsibility centre managers is to manage the human, physical and financial resources placed at their disposal to ensure output and benefits that contribute to the program objectives of the ministry and the government. Responsibility centre managers, therefore, also have a responsibility to ensure effective financial management and control under the *Financial Administration Act* by virtue of the financial authority delegated to them by their minister and deputy minister. 3.8

**4. Organizational Arrangements**

(a) each ministry shall clearly define and document its organization for financial administration and communicate it to all levels within the ministry; and,

(b) the activities undertaken at each level for the management and control of the system of financial administration shall be clearly defined and documented in financial and, where applicable, operating manuals of the ministry.

**5. Functional Relationships**

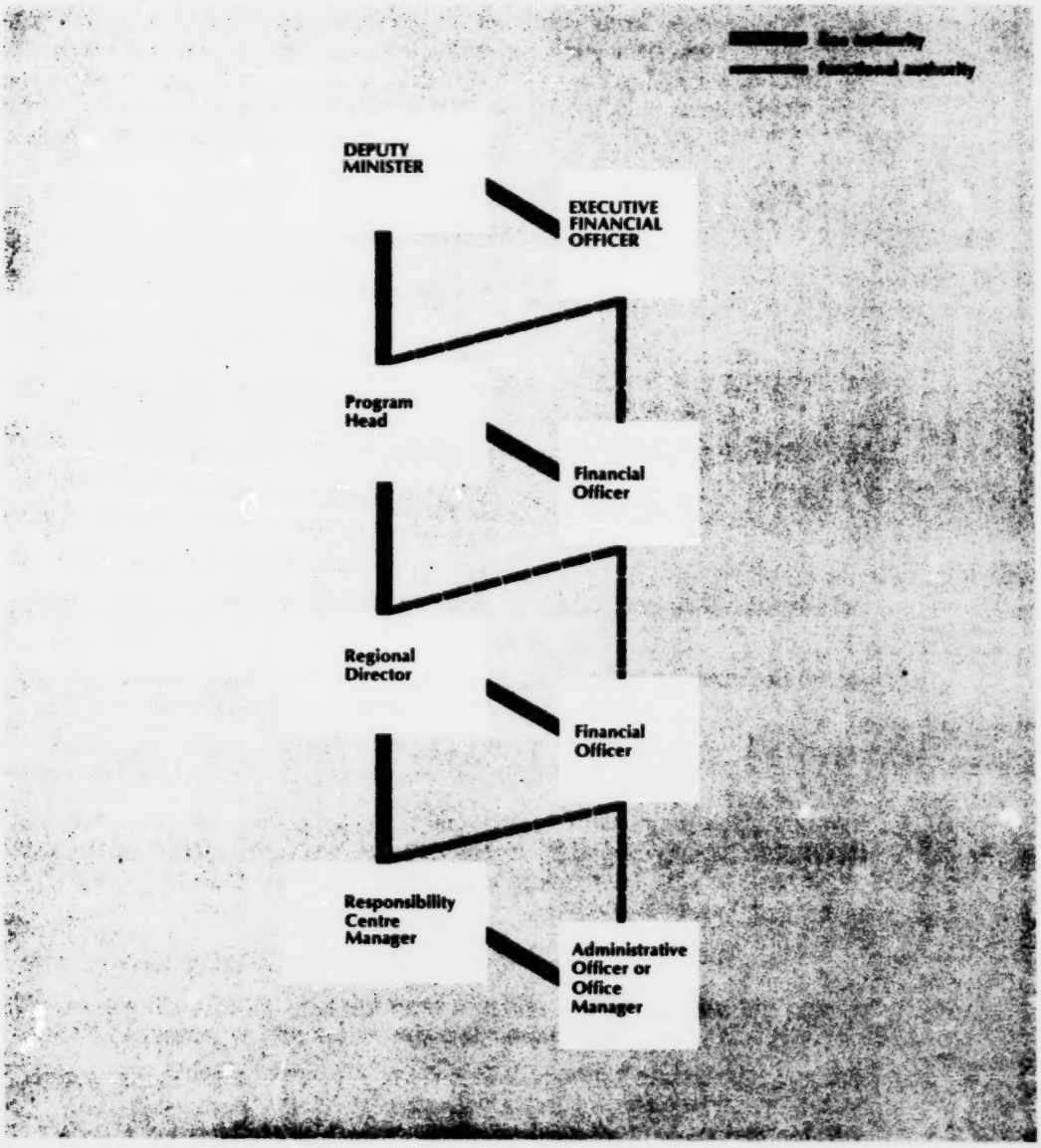
(a) deputy ministers, executive financial officers and senior financial officers shall be subject to the functional direction and functional guidance of the Comptroller General in matters related to the administration and control of the government's system of financial administration; and, 3.10

(b) ministries should clearly document and communicate the functional relationships within their system of financial administration. An illustration of such relationships follows:

## CHAPTER 3—Continued

## MANAGEMENT OF THE FINANCIAL FUNCTION—Continued

### ILLUSTRATION OF FUNCTIONAL AUTHORITY OF FINANCIAL OFFICERS




### 6. Management of Financial Personnel 3.11

Minimum standards for the recruitment, appraisal, training and development of financial personnel are defined.

# CHAPTER 4

# GOVERNMENT ACCOUNTING POLICY

## PURPOSE

Details the accounting policies recently approved by Treasury Board to provide for consistency in the collection, receipt, recording and disposition of public money and to establish the appropriate control (legislative, governmental and management) to provide for the completeness, accuracy, validity and authority of financial information. The chapter also details the reporting policies required so that the government's financial statements are prepared in accordance with those accounting policies.

## MAIN POLICY ELEMENTS

4.4

1. **Accounting Records and Controls**

   All ministries must maintain:

   (a) accounting records which adopt the accounting policies approved by Treasury Board; and,

   (b) have accounting controls sufficient to ensure adherence to these accounting policies.

2. **Main Accounting Policies**

   (a) the accrual basis of accounting is to be used, except for certain tax revenues;

   (b) recoverable loans, investments and advances must be recorded as assets at the time of disbursement;

   (c) fixed assets must be recorded as expenditures at the time of disbursement; and,

   (d) other policies cover assets held for resale, translation of foreign currencies, treatment of expenditure recoveries, setting up of revolving funds, inter-ministry charges and setting up of guarantees.

3. **Main Reporting Policies**

   (a) the activities of the general fund must be combined with the special purpose funds, in one set of financial statements;

   (b) as a supplement to the combination of the general and special purpose funds, consolidated financial statements shall be prepared consolidating service corporations and provincial corporations with the combined general and special purpose funds; and,

   (c) the government's investment in transportation companies and commercial enterprises shall be carried on an equity basis in the consolidated financial statements.

# CHAPTER 5

# CLASSIFICATION OF ACCOUNTS

## PURPOSE

Establishes the manner in which financial information is identified, aggregated, and reported to management and the *Legislative Assembly.* No significant changes to current ministry practices are anticipated as a result of the introduction of this policy.

## MAIN POLICY ELEMENTS 5.4

1. **Levels of Classification**

   At present, the government uses four classification systems. They are:

   (a) **classification by overall vote or program:** this system identifies the purpose of financial transactions to the *Legislative Assembly* and to the public and is used to report revenues, expenditures, assets, and liabilities;

   (b) **activity classification:** this system allows the ministry to identify the costs incurred and the benefits provided by specific types of transactions and applies to expenditures only;

   (c) **responsibility centre classification:** this is useful in identifying responsibility in the ministry for specific expenditures; in this way, those officers responsible and accountable for spending funds provided by the *Legislative Assembly* are identified; and,

   (d) **object of expenditure classification:** this is used to describe the types of items on which expenditures are made.

2. **Recording**

   Classifications are to be designed so that they:

   (a) comply with centrally specified requirements;

   (b) identify expenditures at the lowest levels;

   (c) are capable of aggregation to standard objects; and,

   (d) disclose the way in which responsibilities are discharged.

3. **Responsibility**

   (a) ministries can design their own account classification codes to suit their own operations provided they can be properly integrated; and,

   (b) the senior financial officer is responsible for the development of the classification system.

# CHAPTER 6

# FINANCIAL PLANNING

## PURPOSE

Establishes policies to ensure each step in the program planning and evaluation process of government is effectively linked with each step in the government's financial planning and evaluation process. It also defines the roles of executive and senior financial officers in the planning function including their responsibilities in the preparation and analysis of the annual *Estimates* of the province as described in the *Treasury Board Budget And Administration Policy Manual.*

## MAIN POLICY ELEMENTS 6.3

1. **Financial Planning**

   The policies of this part require that the ministry develop long-term objectives and strategic plans for achieving the objectives. The ministry will then develop multi-year operational plans based upon the strategic plan. Annual budget submissions shall closely relate to the multi-year operational plans, thereby integrating the financial planning function with the program planning function.

2. **Budget Preparation *(Estimates)***

   The policies of this part require that the ministry's executive financial officer be a member of the budget team and outline that officer's responsibilities regarding the *Estimates* cycle.

3. **Budget Input and Control**

   The policies of this part require that the ministry's executive financial officer be responsible for coordinating the development of monthly budgets and ensuring that they do not exceed the limits given; and that requests for monthly releases be coordinated and approved by the ministry's executive financial officer.

# CHAPTER 7

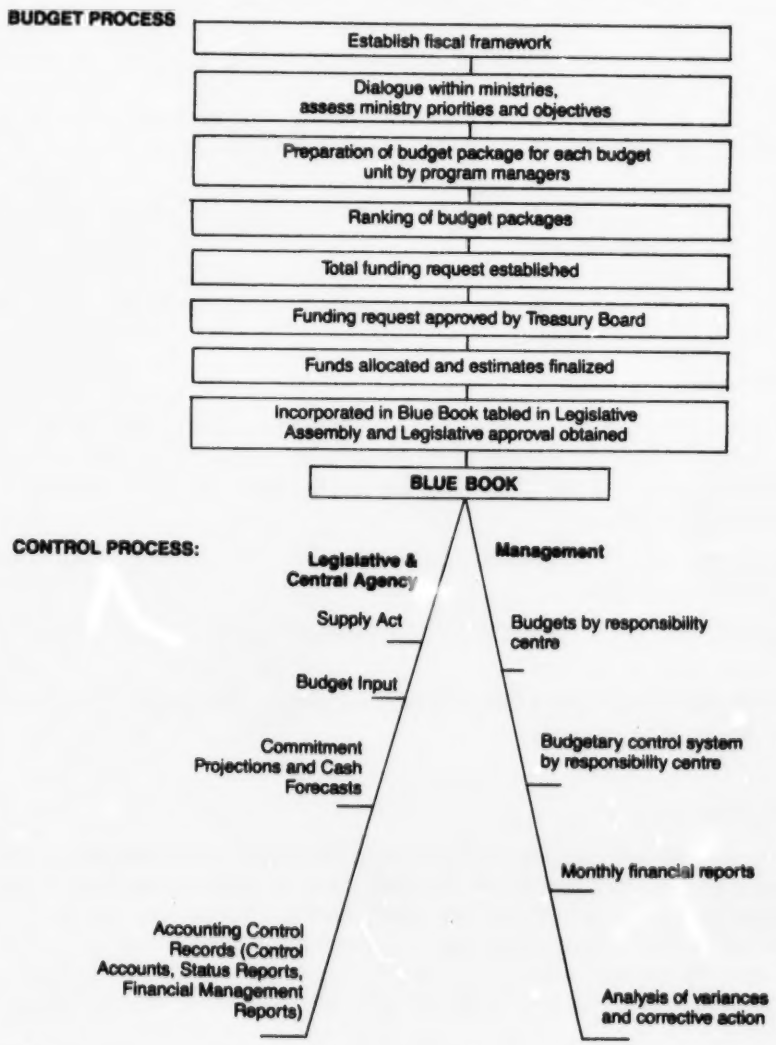
# BUDGETARY CONTROL

## PURPOSE

Establishes the basic framework for control of expenditures once the budgets have been approved. It distinguishes legislative control, central agency control and ministry control and suggests that, in order to monitor expenditures effectively, managers must control their operations in relation to financial and operational controls established by the Legislature, the central agencies and their ministry.

## MAIN POLICY ELEMENTS

The following chart illustrates the process of budget preparation and control.


BUDGET PROCESS
Establish fiscal framework
Dialogue within ministries, assess ministry priorities and objectives
Preparation of budget package for each budget unit by program managers
Ranking of budget packages
Total funding request established
Funding request approved by Treasury Board
Funds allocated and estimates finalized
Incorporated in Blue Book tabled in Legislative Assembly and Legislative approval obtained
BLUE BOOK
CONTROL PROCESS:
Legislative & Central Agency
Management
Supply Act
Budgets by responsibility centre
Budget Input
Commitment Projections and Cash Forecasts
Budgetary control system by responsibility centre
Monthly financial reports
Accounting Control Records (Control Accounts, Status Reports, Financial Management Reports)
Analysis of variances and corrective action

## CHAPTER 7—Continued

## BUDGETARY CONTROL—Continued

### 1. Legislative Control

7.4

Sections 20 and 24 of the *Financial Administration Act* state:

*"20. (1) The estimates of revenue and expenditure for each fiscal year shall be prepared in a form directed by the Treasury Board for presentation to the Legislative Assembly by the Minister of Finance.*

*(2) No sum appropriated by a* Supply Act *shall be paid and applied to any purposes other than those described in the votes, or in excess of the amounts contained in the votes.*

*(3) Where a vote in the estimates of revenue and expenditure that is approved by the Legislature shows an item as a recovery, the vote shall be deemed to authorize the expenditure of both the amount shown as a recovery and the amounts shown as expenditures.*

*(4) Money allocated in a vote may be paid and applied for any activity or standard object of expenditure that is within the general purposes of the vote.*

*(5) The Treasury Board may, by directive, limit the circumstances in which or specify conditions under which subsection (4) applies.*

*24. The Treasury Board may*

*(a) By directive, control or limit expenditure under any appropriation,*

*(b) By directive, subject to any limitations stated in the appropriation, set conditions for any kind of expenditure under an appropriation, . . . "*

### 2. Central Agency Control

7.4

(a) projections of monthly cash flow requirements by vote are required at the beginning of each fiscal year to be given to the Office of the Comptroller General and this shall determine the basis upon which the release of funds is approved;

(b) the Minister of Finance will control release of funds to ensure compliance with approved limits;

(c) Treasury Board will control the reallocation of funds between programs; and,

(d) reports generated by the Office of the Comptroller General will be used in monitoring expenditures.

### 3. Ministry Control

7.5

(a) each ministry will supplement the centralized budgetary control system based on the comparison of payments and commitments to date with annual budgetary allocation, with budgetary control reports prepared on a responsibility centre basis that compare planned and actual costs. The reports, to be prepared on a monthly basis, will contain an adequate explanation of variances, together with any corrective action required;

**CHAPTER 7**—Continued

**BUDGETARY CONTROL**—Continued

(b) in order to produce such reports, each ministry will be required to adopt a uniform system for reporting variances which can be uniformly applied to each responsibility centre. Each reporting system shall be designed so that exceptional variances which require managerial attention are highlighted and the factors giving rise to them are described; and,

(c) the Appendices to Chapter 7, Section 5 contain outlines of cash forecasting procedures and a variance reporting system which can be used by ministries in order to comply with the policies set out in Sections 4 and 5 of Chapter 7.

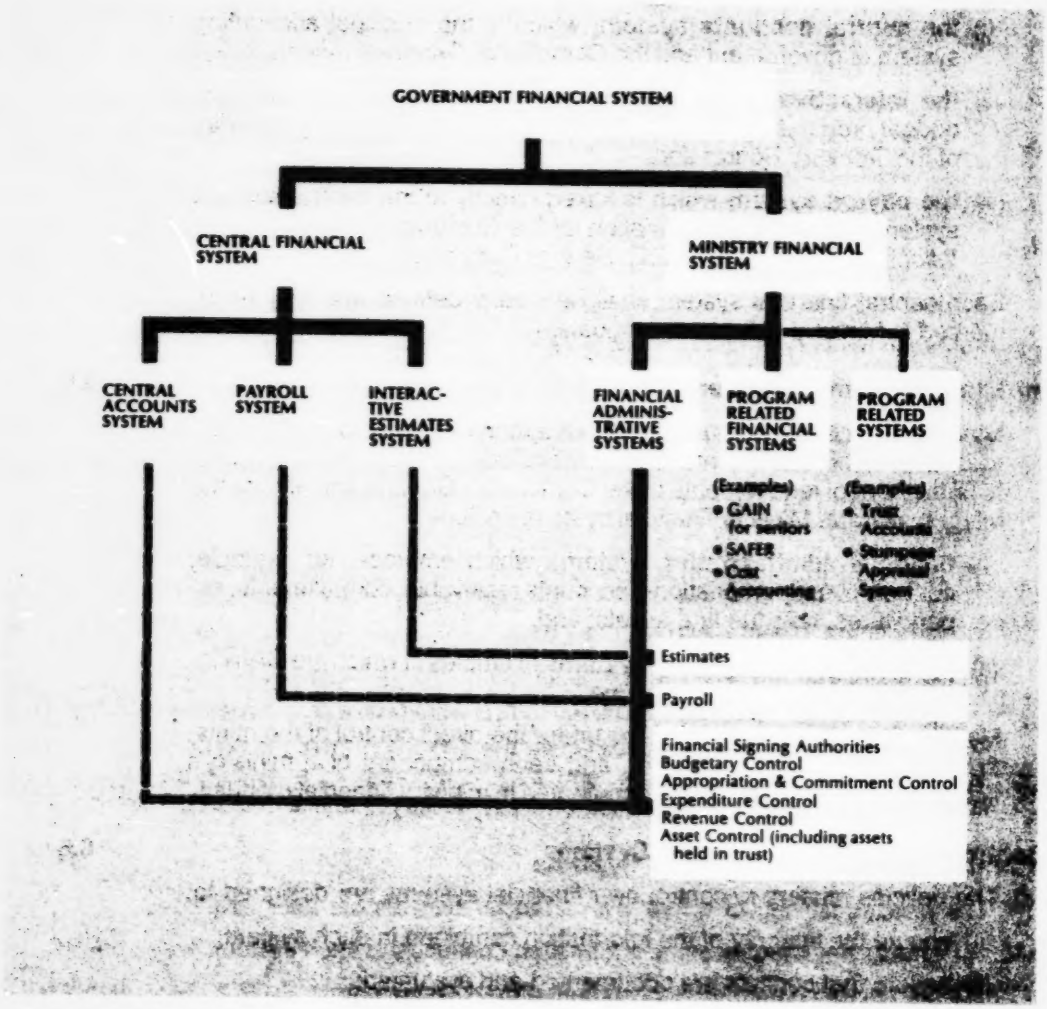
# CHAPTER 8

# FINANCIAL SYSTEMS AND CONTROLS

## PURPOSE

Establishes the framework within which all financial systems of government are to be developed, established and maintained, and the extent to which they are to be integrated with one another and with other operating systems of government.

The following chart is an illustration of the government financial system.



## MAIN POLICY ELEMENTS

1. **Financial Systems**

There are two distinct but interrelated financial systems in government:

(a) **Central Financial Systems** 8.4

Central financial systems relate to the specific responsibilities of the Treasury Board, the Minister of Finance and the Comptroller General, and include:

(i) **the central accounts system,** which is the principal accounting system of government and the Comptroller General's responsibility;

(ii) **the interactive estimates system** which is one of the principal budget preparation systems of government and is the responsibility of the Treasury Board; and,

(iii) **the payroll system** which is linked directly to the central account system and provides information for the *Government Employee Relations Bureau* and the *Public Service Commission.*

Each central financial system shall be clearly defined and fully documented in Ministry of Finance manuals.

(b) **Ministry Financial Systems** 8.5

Ministry financial systems relate to the responsibilities of individual ministries to meet the financial management and control needs of the ministry, fulfill the control requirements of the Comptroller General and ensure the integrity of data. Ministry financial systems include:

(i) **financial administrative systems** which embrace, for example, controls over appropriations, accounts receivable, commitments, expenditures, revenue and assets; and,

(ii) **program related financial systems** examples of which are GAIN for Seniors and Income Assistance.

Ministry financial systems shall be under the direct control of the ministries' executive financial officers, and each component of a ministry's financial system shall be fully documented in ministry financial manuals.

2. **Control Standards for Financial Systems** 8.6

(a) The policies relating to control over financial systems are designed to:

(i) ensure the integrity of the information contained in each system;

(ii) ensure that controls are documented and evaluated;

(iii) establish a process of ongoing review of control procedures; and,

(iv) define the role of the Comptroller General in the establishment and maintenance of government control standards for all financial systems;

(b) all financial systems shall be subject to the Control Standards described in Appendix A to Chapter 8, Section 6.The appendix, based on *Computer Control Guidelines* published by the *Canadian Institute of Chartered Accountants* details the following control standards:

(i) management controls;

(ii) developmental controls;

(iii) operations controls;

(iv) processing controls; and,

(v) documentation controls;

(c) financial controls of all financial systems must be documented in ministry financial and other manuals;

(d) financial controls of all ministry financial systems shall be revised and approved by the ministry's senior financial officer and in respect of those financial systems under development, at each stage of development; and,

(e) all new financial systems shall be reviewed and approved by the Office of the Comptroller General prior to implementation.

3. **Establishment of Advisory Group, Financial Control Standards** **8.6**

The policy states that the Comptroller General shall be responsible for establishing and maintaining the basic financial control standards which shall be used for the establishment and maintenance of all government financial systems. To assist the Comptroller General in fulfilling this role, an *Advisory Group* shall be established whose terms of reference include the review of:

(a) additions or revisions to basic financial control standards;

(b) development proposals and feasibility studies; and,

(c) the adequacy of financial controls in systems under development, or deficiencies in systems as identified in audit reports.

# CHAPTER 9

# EXPENDITURE CONTROL

## PURPOSE

Establishes policies and guidelines for expenditure control, the key elements of which are outlined in the following chapters:

**9.1 FINANCIAL SIGNING AUTHORITIES**

**9.2 APPROPRIATION AND COMMITMENT CONTROL**

**9.3 ACCOUNT VERIFICATION AND PAYMENT REQUISITIONING**

**9.4 LOANS**

**9.5 ACCOUNTABLE ADVANCES**

**9.6 MINISTRY BANK ACCOUNTS**

**9.7 INTEREST ON MONEY OWING BY THE PROVINCE**

# CHAPTER 9.1

# FINANCIAL SIGNING AUTHORITIES

## PURPOSE

Establishes a basic standard for the control of individual expenditure transactions from the point of initiation through to the authorization of disbursements from the consolidated revenue fund and special purpose funds. It also establishes a government-wide framework that will ensure that financial signing authorities are clearly defined and documented in a consistent manner.

## MAIN POLICY ELEMENTS 9.1.3

The main focus of this policy is in the administration of the principal elements of expenditure control, namely: expenditure initiation, commitment authorization, certification of contract performance and requisition of payments.

1. **Types of Financial Authority:**

   (a) *spending authority* means an authority granted to ministry officers enabling them to initiate expenditures against their own budgets and to certify satisfactory contract performance. Officers granted *spending authority* shall ensure that expenditure initiation complies with all ministry and central agency directives, instructions and/or regulations. The certification of the availability of funds and contract performance must be evidenced; and,

   (b) *payment authority* means an authority granted to ministry officers enabling them to requisition payments, and shall only be granted to ministry finance and administration personnel. *Payment authority* shall not be exercised in the absence of a valid supporting signature regarding *spending authority.*

2. **Principles of Delegation**

   (a) ministry officers granted *payment authority* shall be independant of those granted *spending authority;*

   (b) signing authority shall be delegated to organizational positions rather than to individuals;

   (c) signing authority shall be restricted to organizational units and to a financial limit;

   (d) delegated authority shall not be redelegated; and,

   (e) delegation of authority shall be clearly communicated to each incumbent of those positions affected in each ministry.

3. **Administrative and Financial Control**

   (a) the introduction of this policy will lead to the preparation of a Financial Signing Authorities Delegation Instrument—an order executed by the minister or deputy minister which describes the type of financial authority delegated to specific positions within each ministry responsibility centre;

(b) each ministry shall designate a senior officer as the *signing authorities officer;*

(c) a specimen signature card shall be completed for each person granted *payment authority* and specimen signature cards should be available for each *spending authority* granted;

(d) all proposals for delegation of financial signing authority shall be reviewed by the ministry's legal advisor, prior to approval by the delegating authority;

(e) copies of all approved delegation instruments shall be made available to the Office of the Comptroller General upon request; and,

(f) ministries should document their financial signing authorities, policies and procedures. A suggested table of contents is shown in Appendix C, Chapter 9.1.5.

# CHAPTER 9.2

# APPROPRIATION AND COMMITMENT CONTROL

## PURPOSE

Establishes policies and guidelines for the approval, recording, control and reporting of obligations (or *commitments*) entered into against annual appropriations of the *Legislative Assembly* and budgetary allocations of ministry responsibility centre managers to ensure compliance with Sections 27 and 28 of the *Financial Administration Act.*

## GUIDELINES

### Recognition of Commitment 9.2.5

In determining the point at which an obligation or *commitment* is recognized, ministries should consider the criteria most appropriate from the following:

(a) when the need to reserve funds is identified: a reservation of funds or a *commitment* may be necessary to fulfill an obligation to be made in the future, but such *commitments* may require certain approvals prior to any contractual obligation being made;

(b) when a specific action, not including a contractual obligation, is taken: a reservation of funds may be necessary as a result of receiving specific program or project approval but prior to any contractual obligation being made;

(c) when the goods or services are formally requisitioned under appropriate authority, but no contractual obligation is made; and,

(d) when the contract, agreement or arrangement is formally executed.

## DEFINITIONS

### Types of Commitment 9.2.3

(a) ***detailed commitments,*** which include purchase requisitions for supplies and services, local purchase orders, or contracts for professional services;

(b) ***bulk commitments,*** which provide for items such as utility charges, minor rentals, telephone costs, and travel costs; and,

(c) ***formula commitments,*** which permit expenditures computed by a forecasting model based upon past experience and known variables.

## MAIN POLICY ELEMENTS 9.2.4

1. **Controls**

(a) *commitments* must be authorized by those officers delegated *spending authority,* as defined in Chapter 9.1;

(b) the availability of funds shall be certified at the responsibility centre and appropriation levels;

(c) a periodic review of all outstanding *commitments* shall be made to determine that they are still active; and,

(d) ministry commitment control systems must be fully documented and shall be made available to the Office of the Comptroller General for review and approval.

2. **Recording and Reporting**

(a) all *commitments* shall be recorded in ministry commitment accounting records; and,

(b) outstanding *commitments* shall be reported in:

(i) ministry internal financial reports;

(ii) the monthly expenditure review; and,

(iii) the *Public Accounts*.

# CHAPTER 9.3

# ACCOUNT VERIFICATION AND PAYMENT REQUISITIONING

## PURPOSE

Defines the extent to which accounts presented for payment shall be verified as required by Section 28 of the *Financial Administration Act,* and the assignment of responsibility and accountability for the verification of accounts and the requisitioning of payments.

## MAIN POLICY ELEMENTS 9.3.4

1. **Account Verification**

   Before approving any account for payment, those officers delegated *spending* and *payment authority* must ensure that:

   (a) relevant statutes, regulations, Orders in Council, Treasury Board directives, etc., have been complied with;

   (b) the work has been performed, the goods supplied or services rendered in accordance with the contracts, agreements, or other applicable arrangements;

   (c) sufficient funds are available in the budget allocation; and,

   (d) the amount is legally chargeable to the appropriation.

2. **Accountability**

   (a) all payment requisitions must be jointly certified by officers delegated *spending authority* and officers delegated *payment authority;*

   (b) accountability for any contravention of the *Financial Administration Act* or any other statute rests with the deputy minister and the ministry officer on whose authority the payment was requisitioned; and,

   (c) ministry account verification procedures are the direct responsibility of the ministry's executive financial officer.

3. **Documentation**

   Ministries must fully document account verification and payment requisitioning procedures in manuals, which will be subject to the review and approval of the Office of the Comptroller General.

# CHAPTER 9.4

# LOANS

## PURPOSE

Defines the framework within which all loans shall be approved, recorded and controlled as required by Section 37 of the *Financial Administration Act.*

## DEFINITION OF LOAN 9.4.3

Any monies paid from the consolidated revenue fund pursuant to Section 37 of the *Financial Administration Act,* including mortgages, repayable advances, and forgiveable loans. Loans do not include accountable advances made within the meaning of Section 32 of the *Financial Administration Act,* (see Chapter 9.5).

## MAIN POLICY ELEMENTS 9.4.4

1. **Authorization**

   (a) where not prescribed by statute or regulation, ministries shall develop criteria under which loans shall be made, and shall obtain approval of such criteria from the Lieutenant Governor in Council;

   (b) ministries shall establish and document procedures for the review, control and approval of loan applications; and,

   (c) all requisitions for disbursement shall be prepared by officers exercising *spending authority,* and shall be approved by officers exercising *payment authority.*

2. **Recording and Financial Control**

   (a) all loans for which collateral is held or assigned to secure a loan, shall be registered;

   (b) all loans shall be recorded as assets in the ministries' accounting records;

   (c) appropriate procedures shall be established to ensure the effective control of collateral;

   (d) the collectibility of all loans shall be assessed at least annually, and appropriate provisions for doubtful accounts shall be made at the end of the fiscal year; and,

   (e) when all repayment terms of a loan have been met, a formal discharge of the loan shall be completed.

# CHAPTER 9.5

# ACCOUNTABLE ADVANCES

## PURPOSE

Establishes the criteria under which all accountable advances shall be determined and authorized under Section 32 of the *Financial Administration Act*. It also specifies the manner in which such advances shall be recorded and controlled and details policy in respect of recovery of all outstanding advances including those to employees of the province.

## DEFINITIONS OF ACCOUNTABLE ADVANCES 9.5.3

1. **Temporary Advances**

   Temporary advances are those made in fixed amounts for fixed periods which are required to reimburse expenditures made for specific purposes, and include advances made to employees for salaries and wages.

2. **Standing Advances**

   Standing advances are those made in fixed amounts which are required to reimburse expenditures on a continuing basis and reimbursed to those fixed amounts each time an accounting for expenditures is made. Standing advances include those made for working capital, to establish petty cash funds and to establish working capital in approved ministry bank accounts.

## MAIN POLICY ELEMENTS 9.5.4

1. **Controls**

   (a) the amount of an *accountable advance* must be properly determined to avoid excessive amounts being advanced, causing a significant interest cost to the government and the amount must be sufficient so that all government operational requirements can be fulfilled;

   (b) *accountable advances* must be approved by officers delegated *payment authority;*

   (c) they must be properly recorded in ministry accounting records and reviewed on a regular basis;

   (d) they must be accounted for or repaid on a regular basis;

   (e) the accounting records must be reconciled as required with the central accounting system maintained by the Office of the Comptroller General;

   (f) a written assignment of wages must be obtained for all accountable advances made to employees of the province; and,

   (g) employees transferring to another ministry must fully account for or repay any advances before transferring.

The application of Section 34 of the *Financial Administration Act* in respect of recoveries of *accountable advances* from employee salaries and wages is clarified in this chapter.

2. **Reporting**

Aged reports of all outstanding *accountable advances* shall be prepared at least annually.

# CHAPTER 9.6

# MINISTRY BANK ACCOUNTS

## PURPOSE

Defines the manner in which ministry bank accounts established for the purpose of making expenditures shall be authorized, administered and controlled. It also defines policies for the authorization of disbursements from such accounts, and their reconciliation.

## MAIN POLICY ELEMENTS 9.6.4

1. **Establishment of Accounts**

   (a) all ministry bank accounts shall be approved by the Minister of Finance or a person delegated authority for that purpose;

   (b) standard application shall be approved by either the deputy minister, the ministry's executive financial officer or senior financial officer; and,

   (c) accounts are to be established with the principal banker of the province, although the Minister of Finance or his delegated representative may authorize exceptions.

2. **Controls**

   (a) the number of ministry bank accounts shall be kept to a minimum;

   (b) in establishing the amount of the standing *accountable advance* required to provide working capital for the account, the policies and guidelines of Chapter 9.5 shall apply;

   (c) disbursements shall be approved only by those officers delegated *spending* and *payment authority;*

   (d) there shall be two authorized signatures on all cheques; exceptions must be approved by the Minister of Finance or his delegated representative;

   (e) monthly reconciliation of cheques drawn on accounts shall be performed;

   (f) ministries shall maintain a record of all approved ministry bank accounts and shall reconcile that record at least once each year with the central record maintained by the Ministry of Finance; and,

   (g) ministries shall conduct a regular review of all approved ministry bank accounts to ensure that each account is still required and is being used for the purposes originally intended.

# CHAPTER 9.7

# INTEREST ON MONEY OWING BY THE PROVINCE

## PURPOSE

Defines the conditions under which interest shall be paid by the province on its overdue accounts as prescribed by the government's interest rate policy and the *"Interest on Overdue Accounts Payable Regulations"*.

## MAIN POLICY ELEMENTS 9.7.3

1. **Ministry Responsibilities**

   (a) all requisitions for goods and/or services will contain the name of the ministry, the name and address of the responsibility centre and the name of the ministry officer who requisitioned the goods or services;

   (b) the Purchasing Commission will reject all requisitions that do not contain the required information;

   (c) all invoices, claims, or statements of account must be date-stamped immediately upon receipt; and,

   (d) all cheque requisitions that require the payment of interest shall be completed in accordance with Chapter 9.3, stamped ***IMMEDIATE*** and ***INTEREST DUE*** and indicate the due date from which the amount has become payable.

2. **Payment of Interest**

   (a) interest shall be paid at the rate specified in the *"Interest on Overdue Accounts Payable Regulations"*;

   (b) the rate of interest will be adjusted quarterly on November 1, February 1, May 1 and August 1;

   (c) interest shall be due ***from the sixty-first (61st)*** day after the date on which the money first became due (e.g. receipt of goods or invoice) or from the date the province received an overpayment, to the date payment is mailed or delivered to the payee; and,

   (d) interest will be compounded monthly and prorated daily for the number of days an amount is owing.

3. **Restrictions**

   Interest shall not be paid:

   (a) when the total amount of interest due is ***less than $5.00;***

   (b) when the government acts as an agent or trustee;

   (c) under a judgment;

(d) to a corporation, association, board, commission or society to which the *Financial Information Act* applies;

(e) to a regional hospital district, a municipal or regional district;

(f) to the Government of Canada; and,

(g) for employee salaries, wages, benefits or expenses.

# CHAPTER 10

# ASSET CONTROL

## PURPOSE

Establishes the controls which shall be in place to safeguard the assets of the province. It provides guidelines for ensuring that additions and disposals of assets are properly authorized and that assets are properly recorded and encourages the efficient and economic use of government assets. Since some government assets have been dealt with in other Chapters (e.g. Loans, Advances and Accounts Receivable) this Chapter focuses on Inventories, Fixed Assets and Equity Investments.

## MAIN POLICY ELEMENTS

1. **Inventory** **10.7.4**

   (a) each ministry shall have proper systems that will ensure that all inventories are recorded, protected and controlled. The degree of sophistication of the systems used will depend on the cost benefits ensuing from such a system;

   (b) ministries shall be required to physically verify all inventories and determine the adequacy of levels of inventories on hand at least annually;

   (c) disposition of inventories shall be controlled by the Purchasing Commission; and,

   (d) ministries shall forward details of their inventory control systems to the Purchasing Commission and to the Office of the Comptroller General upon request.

Accounting methods to effect financial control over inventories are described in Appendix B, 10.7.6. The alternatives acknowledge the need for flexibility in methods depending on the benefits to be derived. **10.7.5**

2. **Fixed Assets** **10.8.4**

   (a) all fixed assets costing over $200 and all *attractive* assets shall be properly recorded and controlled in the accounting records of the ministries. The degree of sophistication of the systems used will depend on the cost benefits ensuing from such a system;

   (b) fixed assets shall be adequately protected at all times;

   (c) all fixed assets will be purchased and disposed of through the Purchasing Commission;

   (d) all fixed assets shall be physically verified at least annually;

   (e) no damaged items shall be disposed of without the authorization of a properly authorized officer and the delegated authority of the Purchasing Commission;

   (f) transfers of fixed assets between ministries shall be at book or fair market value; and,

(g) ministries shall forward details of their fixed asset control systems to the Purchasing Commission and the Comptroller General upon request.

### 3. Equity Investments

10.10.4

The following policies apply to majority and minority share ownerships, where the investments are of a long term nature:

(a) all equity investments shall be properly recorded and controlled in the accounting records of the ministries, in accordance with Chapter 4, Government Accounting Policy;

(b) no loans made in accordance with the policies described in Chapter 9.4, shall be converted into equity investments without the prior approval of the Lieutenant Governor in Council;

(c) no guarantees shall be given without the authority of the Minister of Finance or his delegated representative;

(d) all agreements with respect to the purchase of equity investments shall require that:

(i) proper accounting records shall be kept;

(ii) audited financial statements shall be provided at least annually;

(iii) the equity investment shall not be disposed of nor diluted without the prior written authorization of the appropriate minister and the approval of Treasury Board;

(iv) no acquisition or disposal of assets and no assumption of any new debt shall take place without the prior approval of the appropriate minister or deputy minister; and,

(v) unrestricted access to the records and premises of the investee shall be available at all reasonable times.

(e) the book value of the equity investment shall be determined at least annually.

# CHAPTER 11

# REVENUE CONTROL

## PURPOSE

Establishes policies and guidelines for the control of all public money as defined in the *Financial Administration Act* including provincial revenues and monies received to be held in trust. Specifically, it establishes criteria for:

1. designating persons authorized to receive public money, extend credit and approve set-offs;
2. establishing fees and licences;
3. claiming revenues;
4. controlling accounts receivable;
5. charging of interest on money owing to the province;
6. receiving and depositing public money;
7. refunding public money;
8. deleting debts; and,
9. setting off debts.

## MAIN POLICY ELEMENTS

1. **Internal Control Over Public Money and Revenue** **11.4.2**

(a) a *revenue authorities matrix,* to be approved by the deputy minister, must be established, showing officers authorized to:

(i) receive public monies—appointees shall not be given any other authority as described in (ii) to (vi) below;

(ii) extend credit;

(iii) issue invoices—appointees shall not be given authority as described in (iv) to (vi) below;

(iv) approve credit notes—specimen signature card required;

(v) approve refunds—specimen signature card required;

(vi) authorize set-offs—specimen signature card required.

Authorities granted shall be subject to the general policies and guidelines as described in Chapter 9.1, Financial Signing Authorities and authority matrices shall be included in ministry accounting procedure manuals;

(b) all public money shall be promptly recorded and deposited;

(c) accounting records shall provide a complete audit trail of any transaction from inception to final outcome;

(d) control accounts shall be maintained and balanced monthly to individual subsidiary accounts. Control accounts shall also be kept at ministry headquarters and aged trial balances produced for review by officers at senior levels; and,

(e) principal operating documents shall be pre-numbered and subject to periodic inventory checks.

**2. Establishment and Review of Fees and Licences** **11.5.3**

(a) an inventory of all fees and licences shall be placed with the Ministry of Finance and updated on a continuing basis;

(b) a schedule of proposed fees will be reviewed and approved by the Minister of Finance as part of the overall *Estimates* process, or as required; and,

(c) ministries shall establish procedures for the ongoing review and updating of fees and licences.

**3. Claiming Revenues** **11.6.2**

(a) wherever possible, fees and charges shall be paid when the service begins;

(b) ministries shall maintain a record of all expenditure programs for which cost-sharing opportunities exist and shall file a report annually of all cost-sharing arrangements with the Ministry of Finance;

(c) ministries shall establish policies on the types of services that may be provided on credit;

(d) goods and services shall not be provided on extended payment terms, no discounts shall be allowed for prompt payment and interest shall be charged for late payments (see Section 11.8);

(e) ministries will assign an officer responsible for credit management;

(f) documents generated through/by operational systems shall be linked with the revenue control system; and,

(g) documents that serve at key points in the control of operations shall be pre-numbered and used to generate, authorize and support invoices.

**4. Accounts Receivable** **11.7.2**

(a) an account receivable must be recorded as soon as a debt is recognized;

(b) a control account, which shall include loans receivable, accountable advances and other accounts receivable as separate categories, must be maintained and reconciled monthly to subsidiary accounts;

(c) aged accounts receivable reports shall be prepared and reviewed monthly;

(d) monthly statements shall be issued to all debtors; and,

(e) collection action shall be documented.

Procedures for the collection of salary overpayments and advances owing by employees terminating employment are also described in this policy.

5. **Interest on Money Owing to the Province** **11.8.2**

(a) except as provided by another enactment, interest shall be charged on all money owing to the province, including accounts receivable as defined in Section 11.3;

(b) the rate of interest charged shall be 1 1/2 percent above the prime lending rate of the principal banker of the province on August 1, November 1, February 1 and May 1;

(c) interest shall be calculated monthly and compounded annually;

(d) all interest charges shall be approved by a person delegated authority by the deputy minister; and,

(e) the debtor shall be advised of all interest charged to his/her account.

6. **Receipt and Deposit of Public Money** **11.9.3**

(a) a register shall be maintained to record the collection or receipt of public money;

(b) policies and procedures shall be established to discourage the remittance of cash through the mail;

(c) where practicable, two persons shall be present at mail opening;

(d) cheques and other negotiable instruments shall be endorsed ***For Deposit Only to the Credit of the Minister of Finance*** immediately upon receipt;

(e) adequate safekeeping facilities shall be provided for public money received during the period it remains on ministry premises;

(f) deposits shall be made daily except where otherwise authorized by the Minister of Finance;

(g) ministries shall document procedures for the deposit of public money, and shall obtain approval from the Minister of Finance prior to implementation where receipts will be deposited with a government agent or to an accelerated transfer account;

(h) all accelerated transfer accounts required shall be approved by the Minister of Finance or the person delegated that authority;

(i) accelerated transfer accounts shall be established with the principal banker of the province, wherever possible;

(j) accelerated transfer accounts shall be kept to a minimum and used only for the purposes of depositing public money; and,

(k) records shall be maintained of all deposits to accelerated transfer accounts, and shall be reconciled monthly to statements received from the bank.

7. **Refunds** **11.10.2**

(a) all refunds shall be identified and recorded in ministry accounting records; and,

(b) the authority to make refunds shall be delegated by deputy ministers.

8. **Deleting Debts** **11.11.3**

(a) submission for the deletion of individual debts ***not exceeding $2000*** shall be authorized by the appropriate minister/deputy minister upon the recommendation of the ministry's executive financial officer;

(b) at the request of the appropriate minister and on the recommendation of the Minister of Finance, individual debts ***exceeding $2000*** may be written off by Treasury Board; and,

(c) annual statements of all debts deleted shall be submitted to the Office of the Comptroller General for inclusion in the *Public Accounts*.

9. **Set-Offs** **11.12**

This section describes the means by which ministries and the Office of the Comptroller General will proceed in order to retain money payable by the government where the intended recipient owes money to the government.

# CHAPTER 12

# FINANCIAL REPORTING

## PURPOSE

Distinguishes internal and external reports and sets down the purposes of each, including the identification of financial responsibility at the ministry level, the control of financial resources, the summarization and communication of financial results and transactions, and an accounting of the government's management of its financial affairs.

## MAIN POLICY ELEMENTS

1. **Internal Reporting** **12.4.2**

   (a) ministries shall produce financial reports which provide sufficient information for checking that all financial transactions have been accurately processed, and a proper level of budgetary control;

   (b) the Office of the Comptroller General shall provide the following reports to ministries on a timely basis:

      (i) detailed transaction reports shall be produced monthly;

      (ii) transaction ledgers shall be produced monthly;

      (iii) status reports shall be produced daily, at mid-month and at month-end; and,

      (iv) financial management reports shall be produced monthly;

   (c) monthly expenditure reviews shall be produced by each ministry which shall compare funds released and expenditures made with the original estimated expenditures for the period. Information contained in these reviews shall be consistent with information contained in the financial reports produced by the Office of the Comptroller General; and,

   (d) ministries shall be responsible for checking the accuracy of all financial reports prepared by the Office of the Comptroller General.

2. **External Reporting** **12.5.2**

   (a) The principal external reports issued by the government are:

      (i) the *Public Accounts;*

      (ii) the *Estimates of Revenue and Expenditures;* and,

      (iii) the various ministry annual reports.

      Other reports are produced under such statutes as the *Financial Information Act,* the *Crown Proceedings Act* and the *Estate Administration Act;*

   (b) ministries shall ensure that the information provided to the Office of the Comptroller General for inclusion in the *Public Accounts* is in agreement with the central accounting records, and that it is available on a timely basis; and,

   (c) ministry annual reports shall be submitted within six (6) months of the fiscal year-end.

# CHAPTER 13

# INTERNAL AUDIT

## PURPOSE

Defines the role of internal audit which is to review and report on the adequacy of internal controls throughout government.

## ROLE OF INTERNAL AUDIT 13.1

(a) Internal control systems must be periodically examined and verified by internal auditors acting on behalf of management;

(b) internal audit forms an integral part of the management process by reviewing, appointing and reporting on operations; and,

(c) internal audit is independent of day-to-day control systems, and of the Office of the Auditor General.

## OBJECTIVES OF INTERNAL AUDIT 13.2

(a) To review and evaluate internal control systems;

(b) to evaluate performance in relation to these internal controls;

(c) to report to management on the adequacy of and the extent of compliance with internal control; and,

(d) to recommend appropriate action where necessary.

## MAIN POLICY ELEMENTS 13.4

1. **Accountability**

(a) the Internal Audit Division, Office of the Comptroller General, shall be accountable to the Treasury Board through the Comptroller General; and,

(b) ministry internal audit organizations shall be subject to the functional direction of and assessment by the Internal Audit Division, Office of the Comptroller General.

2. **Conduct of Internal Audit**

(a) each ministry shall be examined on a regular cyclical basis over a period of not more than five years;

(b) the scope of internal audit shall be comprehensive in nature, encompassing all aspects of operations, including an assessment of all processes, systems and procedures of management;

(c) internal auditors shall be independent of the activities subject to audit; and,

(d) internal auditors shall be given direct access to all required documentation.

3. **Reporting**

   (a) a written report shall be issued to the deputy minister and other appropriate officials at the conclusion of every audit assignment;

   (b) the report shall recommend corrective action;

   (c) each report shall be subject to follow-up action; and,

   (d) the Executive Director, Internal Audit Division shall submit an *Annual Report* to the Treasury Board, indicating audit coverage, major findings, significant unresolved recommendations and any other matters deemed to require Treasury Board attention.

# GLOSSARY OF TERMS

***ACTIVITY***—means the first division or functional component of a program; it identifies expenditures which are grouped by function and which may be performed within one or more organizational units. In the classification system, it is a code with five levels, the lowest levels of which are termed *activity elements*.

***ACCELERATED TRANSFER ACCOUNT***—means a ministry bank account authorized and established by the Minister of Finance for the purposes of depositing public money.

***ACCOUNTING CLASSIFICATION***—means the allocation or grouping of transactions in accounts according to their common characteristics.

***ACCOUNTS RECEIVABLE***—means all amounts claimed by the province against debtors. Amounts claimed arise from:

—taxation;
—provision of goods or services;
—accountable advances as defined in Chapter 9.5;
—loans as defined in Chapter 9.4; and,
—shareable and recoverable expenditures.

***ACCRUAL BASIS OF ACCOUNTING***—means the method of recording transactions by which revenues and expenditures are reflected in the accounts of the period in which they are considered to have been earned and incurred, whether or not all transactions have been finally settled by the receipt or payment of cash or its equivalent.

***ANNUAL REPORT***—means a report produced annually by each ministry describing the highlights of their operations and activities during the year, and including a statement of revenues and expenditures for the year.

***APPROPRIATION***—means any authority granted by the *Legislative Assembly* to disburse money which cannot be altered or exceeded.

***ASSET***—means cash, cash equivalents or financial claims on outside parties as a result of events and transactions prior to the year-end.

***ATTRACTIVE ASSET***—means a fixed asset considered a target for pilferage or readily convertible into cash, usually costing *less than $200* (in constant 1980 dollars).

***CHEQUE REQUISITION***—means a request for payment to be made by means of a cheque.

***COMBINED FINANCIAL STATEMENTS***—means financial statements combining, on a consistent basis, the accounts of the general fund and the special purpose funds.

***COMMERCIAL ENTERPRISE***—means a corporation which carries on business-like activities.

***COMMITMENT***—means the reservation of funds in an appropriation to meet the expected payments during the life of an obligation for the acquisition of a particular service or commodity.

***CONSOLIDATED FINANCIAL STATEMENTS***—means financial statements aggregating, on a consistent basis, the accounts of the general fund and special purpose funds and certain of the government's investments in Crown corporations and agencies (service corporations and provincial corporations) so as to ignore the separate legal identities of those Crown corporations and show the financial position and net revenues of the government as one economic unit.

**GLOSSARY OF TERMS**—Continued

***CONTROL***—means to regulate by explicit or implicit means, including financial control (e.g. through the use of budgets), internal accounting control (e.g. systems of authorizations and approvals, segregation of duties and physical controls over assets) and administrative control (e.g. procedures designed to promote operational efficiency and adherence to managerial policies).

***CONTROL STANDARD***—means those criteria which have been defined by the province to protect the integrity of different aspects of its financial systems.

***DEBT***—means an obligation or debt due to Her Majesty in right of British Columbia or a claim by Her Majesty in right of British Columbia. Included as debts are all accounts receivable as defined in Section 11.3. A debt shall not be construed as the total of individual amounts owing by a single debtor but, rather as *each individual amount owing by a single debtor.*

***DELEGATION INSTRUMENT***—means a schedule of financial signing authorities granted by the minister or deputy minister.

***DETAILED TRANSACTION REPORTS (DTR)***—means a monthly report produced by the Office of the Comptroller General which lists in numerical sequence, details of each transaction processed for each ministry during the month.

***DIRECTIVE***—means an instrument that relates to internal administrative policy of government made or approved by the Lieutenant Governor in Council, Treasury Board or Minister of Finance.

***EQUITY BASIS OF ACCOUNTING***—means the method of accounting for the government's investment in certain Crown corporations (transportation companies and commercial enterprises) where the original investment cost is adjusted to reflect the government's equity in their underlying assets, with the difference between the investment cost and the equity in underlying assets being picked up as a separate adjustment to the financial results of the year.

***EQUITY INVESTMENTS***—means a purchase or acquisition by other means of a share interest in a corporation for purposes of providing financial assistance, for ensuring the ongoing activities of a corporation, or as a result of financial activities involving government participation; a program investment.

***EXECUTIVE FINANCIAL OFFICER***—means a ministry officer who has been delegated authority, assigned responsibility and accountability for a ministry's system of financial administration by a deputy minister.

***EXPENDITURE***—means the cost of goods and services *acquired* during a fiscal period whether or not payment has been made or an invoice has been received. This is distinguished from an expense which measures the cost of goods and services used during the fiscal period.

***EXPENDITURE REVIEW***—means a monthly report produced by each ministry for the Ministry of Finance, comparing funds released and expenditures made to date with the estimated expenditure to date and providing explanations for variances.

***FINANCIAL ADMINISTRATION***—means the administration of all matters relating to the administration of the financial affairs of the province, including: administration of all assets (including assets held in trust), revenues and expenditures; accounting and reporting systems; and, the establishment and maintenance of financial control.

## GLOSSARY OF TERMS—Continued

***FINANCIAL ADMINISTRATIVE SYSTEMS***—means those financial systems which the financial element of an organization uses to meet its responsibility for financial administration.

***FINANCIAL MANAGEMENT REPORT (FMR)***—means a monthly report produced by the Office of the Comptroller General, describing expenditures by ministry for the period to date, analyzing expenditures by activity responsibility centre and object of expenditure and comparing those amounts with the budget.

***FINANCIAL SYSTEMS***—means those systems that are used to exercise financial management control and accountability. These systems include accounting systems used to record, verify, report and execute financial transactions including those for assets, liabilities and assets held in trust, encompass both financial administrative systems and program related financial systems, whether they be manual or machine assisted and include systems for revenue and expenditure control, asset control, commitment control and accounts receivable control.

***FIXED ASSET***—means a tangible long-term asset, for example, with a life expectancy greater than a year, such as land, buildings, and equipment held for use rather than for sale.

***FUNCTIONAL AUTHORITY***—means the authority delegated to a functional specialist to direct those line managers in those functional areas which must have a common application throughout the government.

***FUNCTIONAL DIRECTION***—means the exercising of functional authority where a direct reporting relationship does not exist, by promulgating and ensuring compliance with statutes, policies and standards and providing guidelines to subordinate functional specialists and line managers. It also includes authority to request and receive information directly from subordinate functional specialists and line managers.

***FUND***—means a self-balancing accounting entity established to show monies received for specific purposes, the income earned thereon, expenditures for the purposes designated and the assets held against the capital of the fund and its liabilities. It includes:

> ***CONSOLIDATED REVENUE FUND***—the fund into which all public money (other than trust funds) shall be paid and includes the general fund, which is the primary fund of the province comprising all of its main operating accounts, and special purpose funds, which comprise earmarked revenues and funds set aside from the general fund for specific purposes.
>
> ***REVOLVING FUND***—a fund established as a means of financing certain operations carried out by ministries. Revolving funds are established as a line of credit approved by the *Legislative Assembly* to finance the working capital required by the operation.
>
> ***TRUST FUND***—a fund administered by the government which is held under a trust agreement or funds collected and maintained by the government for a specific purpose. Trust funds include trust deposits, superannuation funds and sinking funds.
>
> ***WORKING CAPITAL ADVANCE***—an *accountable advance* made to ministries, from and temporarily charged to, the consolidated revenue fund for a specific purpose for which ministries are required to make an accounting of expenditures from the advance or repayment, as the case may be. Expenditures made from the advance are charged to appropriations when the accounting for such expenditures is made by the ministry.

***GUARANTEE***—means a contract to perform the obligations or discharge the liability of another party if the latter fails to do so.

**GLOSSARY OF TERMS**—Continued

***INTERNAL AUDIT***—means an independent objective appraisal activity for the review of operations as a service to management.

***INTERNAL CONTROL***—means a complex series of continuous and interrelated activities designed to direct and monitor the affairs of an organization and encompasses organization, policies and procedures, accounting and other records, information systems and related reports, performance standards and internal audit.

***INVENTORY***—means items in stores or held in stock that will be subsequently consumed in a ministry's operations; it may also refer to items held for sale or to be used in producing an item for sale.

***LIABILITY***—means a financial claim of outside parties as a result of events and transactions prior to the year-end.

***MINISTRY BANK ACCOUNT***—means an account which is authorized and established by the Minister of Finance with a savings or other financial institution designated by the Minister of Finance and operated by a ministry for the purpose of making expenditures or an accelerated transfer account established for the purposes of depositing public money.

***OBJECT OF EXPENDITURE***—means the nature of the expenditure (article purchased or service obtained) or expenditure classification on which funds are spent within each responsibility centre and activity. It can refer to either standard object of expenditure (STOB), used as a uniform classification throughout ministries primarily for the purpose of preparation of the *Estimates*, or ministry objects of expenditure, historically referred to as departmental objects (DPOB), which are supplementary objects used within ministries for their own reporting needs.

***ORDER IN COUNCIL***—means an instrument made or approved by the Lieutenant Governor in Council, not being a regulation or directive.

***PAYMENT AUTHORITY***—means an authority granted to ministry officers enabling them to requisition payments.

***POLICY***—means those courses of action to be followed by each ministry in government and which are contained in policy statements.

***PROCEDURES***—means those steps to be taken by each ministry in management and implementation of the policy process and which are contained in statements of procedure.

***PROGRAM***—means a major ministerial operation designed to meet certain objectives for the ministry. It is the level at which the *Legislative Assembly* votes funds.

***PROGRAM RELATED FINANCIAL SYSTEMS***—means those financial systems or portions of those financial systems which responsibility centre managers use to meet their responsibilities for financial administration.

***PROGRAM RELATED SYSTEMS***—means those systems that are required for the operational or technical needs of a program and which are the primary responsibility of the responsibility centre manager.

***PROVINCIAL CORPORATION***—means a government corporation established to complement or support government programs.

***PUBLIC ACCOUNTS***—means the document that contains the audited financial statements of the government, and such other financial information as is required by the *Financial Administration Act*, which is presented to the *Legislative Assembly* to provide information and show compliance with legislative authorities.

## GLOSSARY OF TERMS—Continued

***PUBLIC MONEY***—means all money received, held, or collected by, for or on behalf of the government by a public officer or by a person authorized to receive, hold or collect the money and includes:

- government revenue;
- special purpose funds;
- proceeds from the issue of government debt and sale of securities;
- money received or collected for or on behalf of the government; and,
- trust funds;

but does *not* include money collected, received or held by a government corporation other than by way of taxes or licence fees under an enactment.

***RESPONSIBILITY CENTRE***—means the approved organizational unit responsible for making an expenditure; it identifies expenditures which are grouped by areas of managerial responsibility for purposes of accountability.

***REVENUE***—means the gross proceeds from taxes, licences, duties and sources other than borrowing which have been earned during a fiscal period, except for income taxes which are revenue when received (see definition contained in Chapter 11.3, Revenue Control).

***REGULATION***—means an instrument that is legislative in nature as defined in the *Regulation Act*, made or approved either by the Treasury Board, the Lieutenant Governor in Council or Minister of Finance, and requires publication in *The British Columbia Gazette* under the *Regulation Act*.

***SENIOR FINANCIAL OFFICER***—means a ministry officer who reports to the ministry's executive financial officer and who has been assigned responsibility by a deputy minister for the specific operation and management of a ministry's system of financial administration.

***SERVICE CORPORATION***—means a government corporation established to service the activities of government and government entities.

***SIGNING AUTHORITY***—means a legal power delegated to ministry officers which has the effect of appointing them as agents of the Crown enabling them to exercise either *spending authority* or *payment authority*.

***SPENDING AUTHORITY***—means an authority granted to ministry officers enabling them to initiate expenditures against their own budgets and to certify satisfactory contract performance.

***STATUS REPORTS***—means those expenditure reports produced daily, at mid-month and at month-end by the Office of the Comptroller General for each ministry, disclosing the amounts unexpended of the original budgetary allocations after recording payments and commitments.

***TRANSPORTATION COMPANY***—means a government corporation principally involved in providing transportation service and which is intended by the government to conduct business-like activities on a commercial and self-sustaining basis.

***TRANSACTION LEDGER***—means a monthly report produced by the Office of the Comptroller General describing the activity in each ledger account for the period, arriving at the closing balance in the account at month-end.

***VOTE***—means a major program or combination of interrelated programs of the government, separated from other votes for the purpose of clarity when an explanation of expenditures is presented to the members of the *Legislative Assembly* and to the general public. In the classification system it is a code with three levels: vote, sub-vote and sub-sub-vote. A sub-vote is a key element in a vote's expenditure pattern and is equivalent to the program. A sub-sub-vote is a key element in a program and is equivalent to the activity.